



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-04	BOARD MEETING: August 12, 2025	PROJECT NO: 25-012	PROJECT COST: Original: \$11,342,258
FACILITY NAME: Mt. Zion Center for Surgery		CITY: Mt. Zion	
TYPE OF PROJECT: Substantive			HSA: IV

PROJECT DESCRIPTION: The Applicants (Surgical Partners and Associates, LLC, and Agility Properties, LLC) propose to establish a limited-specialty ambulatory surgical treatment facility ("ASTC") in Mt. Zion for \$11,342,258. The project is scheduled for completion on August 12, 2027.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The Applicants (Surgical Partners and Associates, LLC, and Agility Properties, LLC) propose establishing a limited specialty ASTC at 1645 State Highway 121, Mt. Zion. The project cost is \$11,342,258. The project is scheduled for completion on August 12, 2027.
- The proposed facility will be a limited-specialty ASTC with three Class C Operating rooms and 13 recovery stations and will provide Orthopedic and Podiatric surgical services.
- The project will entail 15,977 GSF of newly constructed space (12,189 GSF clinical/3,788 GSF non-clinical) and will be the only ASTC in the 21-mile general service area offering Orthopedic and Podiatric surgical services.
- The proposal is a substantive project subject to Part 1110 and 1120 review. A Safety Net Impact statement accompanied the application.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the project establishes a health care facility (ASTC) as defined by the Illinois Health Facilities Planning Act. [20 ILCS 3960/3]

PURPOSE OF THE PROJECT:

- The proposed project addresses the establishment of a limited specialty ASTC for the provision of Orthopedic and Podiatric surgical services in an outpatient setting. It will improve the health and well-being of the service area population. The ASTC will provide outpatient surgical services to a 21-mile general service area (GSA) comprising 34 counties and will be the sole outpatient surgical facility in the defined service area. Most of its patient base is expected to originate from the defined GSA.

PUBLIC HEARING/COMMENT:

- A public hearing was held for this project on May 21, 2025, at 1:00 pm, at the Mt. Zion Village Hall. At this hearing, 45 individuals registered their attendance (22 in support, 18 opposed, and five neutral), with 12 of the registered attendees speaking in support of the project, and five speaking in opposition.
- The Board Staff received 13 letters of support, four letters of opposition, four letters of concern, and one letter expressing neutrality regarding the project.

SUMMARY:

- The State Board Staff reviewed the application for permit and additional information provided by the Applicants and noted the following:
- The proposed project will result in the only ASTC in the 21-mile service area offering outpatient Podiatric and Orthopedic surgical services.
- There is excess capacity in the proposed 21-mile geographical service area ("GSA") at the two hospitals and the one ASTC (see Table Six).
- The project file and the State Board Staff Report contain a letter from Hospital Health Sisters Health System (HSHS), disputing the Safety Net Impact Statement supplied by the Applicants (application, p. 84). The Applicants claim the proposed project "*will not impact the ability of any other provider to provide or cross-subsidize safety net services.*" HSHS disputes this claim and attests that "*The project's diversion of nearly 1,900 Orthopedic and Podiatric surgeries from existing Safety Net Service providers will materially and*

adversely impact Safety Net Services”, an issue that the Applicants failed to address in the application.

- The applicants addressed 23 criteria and were not compliant with the following:

Criteria	Reasons for Non-Compliance
77 Ill. Adm. Code 1110.235(c)(6) - Service Accessibility	Unused surgical capacity exists at the two hospitals and the one ASTC in the GSA that could absorb the proposed facility's workload. However, the ASTC only provides Ophthalmologic surgical services, and would have to apply for a Certificate of Need Permit to add surgical specialties. (see Table Six).
77 Ill Adm. Code 1110.235(c)(7) Unnecessary Duplication/Impact on Other Facilities	The Applicants' referral letters will take surgical volume from area hospitals, resulting in a negative impact on these facilities.
77 Ill Adm. Code 1120.130 Financial Viability	The Applicants did not meet State standards for current ratio, days cash on hand, and cushion ratio (see Table Seven).

STATE BOARD STAFF REPORT
Project #25-012
Mt. Zion Center for Surgery, Mt. Zion

APPLICATION CHRONOLOGY	
Applicants(s)	Surgical Partners and Associates, LLC Agility Properties, LLC
Facility Name	Mt. Zion Center for Surgery
Location	1645 State Highway 121, Mt. Zion, IL
Permit Holder	Surgical Partners and Associates, LLC
Operating Entity/Licensee	Surgical Partners and Associates, LLC
Owner of Site	Agility Properties, LLC
Gross Square Feet	15,977 GSF (12,189 GSF clinical/3,788 GSF non-clinical)
Application Received	March 24, 2025
Application Deemed Complete	March 27, 2025
Financial Commitment Date	August 12, 2026
Anticipated Completion Date	August 12, 2027
Review Period Ends	July 25, 2025
Review Period Extended by the State Board Staff?	No
Can the applicants request a deferral?	Yes

I. Project Description

The Applicants propose to establish a limited-specialty ASTC for \$11,342,258, located at 1645 State Highway 121, Mt. Zion. The project is scheduled for completion on August 12, 2027.

II. Summary of Findings

- A. The State Board Staff finds the proposed project is **not** in conformance with all relevant provisions of Part 1110.
- B. The State Board Staff finds the proposed project is **not** in conformance with all relevant provisions of Part 1120.

III. General Information

The Applicants are Surgical Partners and Associates, LLC, and Agility Properties, LLC. The proposed project will establish a limited specialty ASTC in Mt. Zion. The ASTC will contain three Class C Operating rooms (ORs) and 13 recovery/preparation bays, providing orthopedic and podiatric surgical services. The Applicants note that the proposed ASTC will be the only provider of these services in an outpatient setting in HSA IV. The three physician owners had previously referred their patient base to area hospitals and intend to refer their future patients to the ASTC upon project completion. The Applicants note that it extended the opportunity to area hospitals to partner in the proposed ASTC, but the offer was not accepted. The offer will remain available up to 30 days after the project receives approval from the Illinois Health Facilities and Services Review Board.

IV. Health Service Area/Health Planning Area

The proposed ASTC will be located in Macon County, within Health Service Area IV. This HSA includes Champaign, Clark, Coles, Cumberland, DeWitt, Douglas, Edgar, Ford, Iroquois, Livingston, Macon, McLean, Moultrie, Piatt, Shelby, and Vermilion counties. According to the June 2025 Inventory Update, there are 11 ASTCs in HSA IV, comprising a total of 35 operating/procedure rooms, which provided 43,858 outpatient surgical procedures, resulting in 38,303 hours of surgery.

VI. Project Costs

The Applicants propose to fund the project with cash and securities (\$1,023,657), mortgages (\$5,467,521), the fair market value of the lease (\$4,052,230), and funds designated as a tenant improvement allowance (\$798,850) (see Table One). The estimated start-up costs and operating deficit are \$100,000.

TABLE ONE				
Uses and Sources of Funds				
Use of Funds	Reviewable	Non-Reviewable	Total	% Of Total
Preplanning Costs	\$76,000	\$24,000	\$100,000	.8%
New Construction Costs	\$4,506,544	\$1,126,636	\$5,633,180	49.6%
Contingencies	\$400,000	\$100,000	\$500,000	4.4%
A&E Fees	\$373,000	\$117,600	\$490,600	4.3%
Consulting	\$240,000	\$60,000	\$300,000	2.8%
Movable and Other Equipment	\$50,000	\$65,248	\$115,248	1%
Net Interest Expense During Construction	\$114,760	\$36,240	\$151,000	1.3%
Fair Market Value of Leased Space	\$2,291,400	\$723,600	\$3,015,000	26.6%
Fair Market Value of Leased Equipment	\$940,000	\$97,230	\$1,037,230	9.2%
Totals	\$8,991,704	\$2,350,554	\$11,342,258	100.00%
Source of Funds	Reviewable	Non-Reviewable	Total	% Of Total
Cash/Securities	\$779,979	\$245,678	\$1,023,657	9%
Mortgages	\$4,155,316	\$1,312,205	\$5,467,521	48.2%
Leases (fair market value)	\$3,647,007	\$405,223	\$4,052,230	35.7%
Other (tenant improvement allowance)	\$639,080	\$159,770	\$798,850	7.1%
Totals	\$9,219,382	\$2,122,876	\$11,342,258	100.00%

VII. Purpose of the Project, Safety Net Impact Statement, Alternatives

A) Criterion 1110.230(a) – Purpose of the Project

The proposed project aims to enhance the health and well-being of the population in the defined service area, increase access to outpatient surgical services, and shift a greater proportion of this care to lower-cost settings. There is currently no outpatient surgical provider/ASTCs in the 21-mile service area offering Orthopedic and Podiatric services, thereby denying residents of Mt. Zion/Decatur access to these services. The goal of this project is to have the proposed ASTC licensed and operational within 18 months from the date of Certificate of Need approval.

B) Criterion 1110.230(b) – Safety Net Impact Statement

The applicants must document:

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.
2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.

The applicants state that the nature of the project (establishment of an ASTC) will not hurt safety net services in the service area, nor will it impact the ability of any other provider to provide or cross-subsidize safety net services. The Applicants note that, based on physician referral practices, a limited amount of charity care will be provided at the ASTC, with the decision to provide charity care being made on a case-by-case basis. The Applicants supplied no record of historical charity care but provided a summary of the anticipated payor mix.

Medicare	46%
Medicaid	4%
Charity Care	1%
Self-Pay/Other	4%

During the second year of operation, the Applicants project \$11,055,172 in net patient revenue and charity care expenses totaling \$110,551.

C) Criterion 1110.230(c) Alternatives to the Project

To demonstrate compliance with this criterion, applicants must document that the proposed project is the most effective or least costly alternative for meeting the healthcare needs of the population it will serve.

The Applicants considered three alternatives to the proposed project. They are:

1. Status Quo/Continue to Perform All Outpatient Procedures in Local Hospitals

The Applicants are currently providing all surgical procedures in a hospital setting and report that their patient base does not have access to the amenities experienced in an ASTC setting, such as lower costs for services and efficiencies in the services received. The Applicants also note that some major third-party payors are now requiring that specific surgical procedures be performed in the lower-cost ASTC setting, as opposed to the more expensive hospital setting. This requirement compels the patient base to travel outside the service area for ASTC services. The Applicants rejected this alternative.

2. Establish the ASTC as a Joint Venture with a Local Hospital

This alternative was given initial consideration, and discussions were held with Decatur Memorial Hospital (DMH), where the physicians who supplied referral letters perform most of their procedures. The Applicants report that a cooperative arrangement was made with DMH to perform surgeries/procedures in the surgical suites, and the offer will remain for up to 30 days following the issuance of the Certificate of Need permit. If the Applicants select this alternative, accessibility, quality of care, capital costs, and operating costs would be identical to those of the alternative proposed in this application.

3. Establish an ASTC in an Existing Building

The Applicants note that the proposed ASTC will be developed in a new building, designed and constructed specifically for the provision of outpatient surgical services. It was determined that retrofitting an existing building for ASTC purposes would likely result in reduced capital costs and would also present compromises in the building's design/operational standards. Despite the Applicant's attestation that this option would not differ from the chosen project in terms of patient access and quality of care, the Applicant rejected this alternative.

VIII. Size of the Project, Projected Utilization of the Project, Assurances

A) Criterion 1110.234(a) – Size of the Project

To document compliance with this criterion, the applicants must document that the proposed surgical rooms and recovery stations meet the State Board GSF Standards in Section 1110.Appendix B.

The Applicants propose to establish three Class C operating rooms, occupying 7,860 square feet of clinical space, and four recovery stations, occupying 4,295 square feet of space. The space allotted for the recovery unit is not taken into account in determining spatial compliance. This equates to approximately 2,620 GSF per room. The State standard for ASTC rooms is 2,075 - 2,750 BGSF per room. Thus, it appears the Applicants have met the requirements of the criterion.

B) Criterion 1110.234(b) – Projected Utilization

To document compliance with this criterion, the applicants must document that the proposed surgical/procedure rooms will be at target utilization or at least 1,500 hours per operating/procedure room by the second year after project completion. Section 1110.Appendix B.

TABLE TWO Projected Utilization Mt. Zion Center for Surgery					
Physician	Historical Caseload	Hours per Case	Projected Hours	Adjusted for non-ASTC pts.	Projected ASTC Hours
Dr. Sam (ortho)	790	1.91	1,509	.95	1,433
Dr. Sullivan (ortho)	621	1.91	1,185	.95	1,126
Dr. Schail (Podiatry)	321	1.88	603	.95	573
Year 2 Hours					3,132

The State Board Standard is 1,500 hours per OR, or 4,500 hours for the proposed three operating rooms. Based on projected utilization data by the second year of operation (See Table Two), the Applicants project 3,132 hours, which meet the State standard for projected utilization.

C) Criterion 1110.234(e) – Assurances

To document compliance with this criterion, applicants must attest that the proposed project will achieve target occupancy two years after project completion.

The Applicants have provided the necessary attestation at page 76 of the Application for Permit.

IX. Establish an Ambulatory Surgical Treatment Center

A) Criterion 1110.110(a) - Background of the Applicant

To demonstrate compliance with this criterion, the Applicants must provide documentation of the following:

- 1) Any adverse action taken against the applicant, including corporate officers or directors, LLC members, partners, and owners of at least 5% of the proposed healthcare facility, or against any healthcare facility

owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application.

- 2) A listing of all healthcare facilities currently owned and/or operated by the applicant in Illinois or elsewhere, including licensing, certification, and accreditation identification numbers, as applicable.

The Applicants are Surgical Partners and Associates, LLC, and Agility Properties, LLC. Agility Properties, LLC was formed in September 2022 as a limited liability company in this State and is the landlord/property owner. Surgical Partners and Associates, LLC, is a newly formed entity (February 2025), as a domestic limited liability company in this State, and is under equal ownership of Dr. Joseph Sams, M.D. (50%), and Dr. D.N. Sullivan, M.D. (50%). The Applicants are equal co-owners of both Applicant corporate parties. The Applicants attest to having no adverse actions taken against them in the three years preceding the filing of this application and authorize the State Board and IDPH to verify any information contained in this application (application, p. 37).

B) Criterion 1110.235(c) – Service to GSA Residents

To demonstrate compliance with this criterion, the applicants must provide a list of zip codes that comprise the GSA and patient origin information by zip code for the prior 12 months. This information must verify that at least 50% of the facility's admissions were residents of the GSA.

The Applicants identified 38 zip codes within a 21-mile radius of the proposed facility, encompassing a population of 127,153 inhabitants in this service area. The Applicants confirm that, during a recent 12-month period, the origin of historical patient referrals indicates that 68.6% of its patient base was referred from zip codes within the 21-mile service area.

Based on the information provided in the Application and summarized above, the proposed ASTC appears to offer services to GSA residents.

C) Criterion 1110.235(c)(3) - Service Demand – Establishment of an ASTC Facility

To demonstrate compliance with this criterion, the Applicants must provide physician referral letters that attest to the total number of treatments for each ASTC service that was referred to an existing IDPH-licensed ASTC or hospital located in the GSA during the 12 months before the application. The referral letter must contain:

1. Patient origin by zip code of residence.
2. Name and specialty of referring physician.
3. Name and location of the recipient hospital or ASTC; and

4. Number of referrals to other facilities for each proposed ASTC service for the last two years.
5. Estimated number of referrals to the proposed ASTC within 24 months after project completion.
6. Physician's notarized signature signed and dated; and
7. An attestation that the patient referrals have not been used to support another pending or approved CON application for the subject services.

By rule, the referrals to a proposed ASTC must be from IDPH-licensed ASTCs or hospitals. The Applicants submitted three referral letters with zip code origins attesting to the historic referral of approximately 1,490 patients to their respective facilities and 1,380 projected referrals to the proposed ASTC by the second year after project completion (Application, pp. 50-55). The historical referrals and the referral quantities were determined to be from the following hospitals listed in Table Three.

TABLE THREE Historical Referrals to Area Hospitals per the Physician Referral Letters	
Decatur Memorial Hospital	782
St. Mary's Hospital-Decatur	521
Kirbey Medical Center-Monticello	165
Pana Community Hospital	22
TOTAL	1,490

The hospitals listed in Table Three are IDPH-licensed facilities located within the proposed GSA, and the Applicants have met the requirements of this criterion. The annual projected 3,132 hours of surgery (see Table Four) justify the need for three operating rooms.

TABLE FOUR Projected Referrals to Mt. Zion Center for Surgery		
Physician	Specialty	# of Patients Referred
Dr. Jacob Sams, M.D.	Orthopedic Surgery	750
Dr. D.N. Sullivan, M.D.	Orthopedic Surgery	690
Dr. Asad Sohail, M.D.	Foot & Ankle Surgery/Podiatry	440
TOTALS		1,880
Data taken from physician referral letters and application pages. 50-55		

D) Criterion 1110.235(c)(5)) - Treatment Room Need Assessment

To document compliance with this criterion, the Applicants must provide the projected patient volume or hours to justify the number of operating rooms being requested. The applicants must document the average treatment time per procedure.

1. Based upon the State Board Staff's review of the referral letters, the Applicants can justify 3,132 hours by the second year after project completion. The number of operating/procedure hours will justify the three procedure rooms being requested by the applicants [$3,132/1,500 = \text{three rooms}$, $3,552/1,500 = 2.088 \text{ rooms}$]
2. The Applicants supplied an estimated time per procedure (application, p. 67), which includes prep/clean-up. This time was gathered from historical case times (See Table Five).

TABLE FIVE	
Average Case Time per Procedure*	
Orthopedics	1.91
Podiatry	1.88
*Measured in hours and includes prep and clean-up	

E) Criterion 1110.235(c)(6) - Service Accessibility

To document compliance with this criterion, the Applicants must document that the proposed ASTC services being established are necessary to improve access for residents of the GSA by documenting one of the following:

1. There are no other IDPH-licensed ASTCs within the identified GSA of the proposed project.
2. The other IDPH-licensed ASTC and hospital surgical/treatment rooms used for those ASTC services proposed by the project within the identified GSA are utilized at or above the utilization level specified in 77 Ill. Adm. Code 1100.
3. The ASTC services or specific types of procedures or operations that are components of an ASTC service are not currently available in the GSA, or those existing underutilized services in the GSA have restrictive admission policies.
4. The proposed project is a cooperative venture sponsored by two or more persons, at least one of whom operates an existing hospital. Documentation shall provide evidence that:
 - a) The existing hospital is currently providing outpatient services to the population of the subject GSA.
 - b) The existing hospital has sufficient historical workload to justify the number of surgical/treatment rooms at the existing hospital and the proposed ASTC, based upon the treatment room utilization standard specified in 77 Ill. Adm. Code 1100.
 - c) The existing hospital agrees not to increase its surgical/treatment room capacity until the proposed project's surgical/treatment rooms operate at

or above the utilization rate specified in 77 Ill. Adm. Code 1100 for at least 12 consecutive months; and

- d) The proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.

State Board Staff note the following:

1. There are two existing hospitals and one ASTC in the GSA (see Table Six). Board Staff notes that the sole ASTC is a single specialty ASTC that specializes exclusively in Ophthalmologic surgical services.
2. The GSA has underutilized hospital surgical/treatment rooms.
3. The proposed surgical services are currently available in the GSA. However, these services are offered only through the two acute care hospitals that presently exist in the service area. Both have excess surgical capacity (See Table Six).

Table Six displays the existing ASTC and the two hospitals within the 21-mile GSA that offer surgical services, which fall below the State Board standard. The Applicants have not met the requirements of this criterion.

TABLE SIX ASTCs and Hospitals in the 21-Mile GSA				
Facility/Classification	Distance (miles)	OR/Procedure Rooms	Utilization (hours)	Met Standard?
ASTC				
Gailey Eye Surgery Center, Decatur*	9.6	2/0	261.5	No
HOSPITALS				
Decatur Memorial Hospital, Decatur	9.4	18/16	17,936/5,080	No
HSBS St. Mary's Hospital, Decatur	5.4	8/4	6,168/2,269	No
Data Taken from 2024 ASTC/Hospital Surveys *Provides Ophthalmologic Procedures exclusively				

F) Criterion 1110.235(c)(7) - Unnecessary Duplication / Maldistribution / Impact on Other Providers

- 1) To demonstrate compliance with this criterion, the applicants must provide a list of all licensed hospitals and ASTCs within the proposed GSA and their historical utilization (within the 12 months before application submission) for the existing surgical/treatment rooms.
- 2) To demonstrate compliance with this criterion, the applicants must document the ratio of surgical/treatment rooms to the population within the proposed GSA that exceeds one and a half times the State average.

- 3) To demonstrate compliance with this criterion, the applicants must document that, within 24 months after project completion, the proposed project:
 - a) Will not lower the utilization of other area providers below the utilization standards specified in 77 Ill. Adm. Code 1100; and
 - b) Will not lower, to a further extent, the utilization of other GSA facilities that are currently (during the latest 12-month period) operating below the utilization standards.

The Applicants stated the following to address this criterion:

State Board Staff identified a GSA extending 21 miles in all directions from the site of the proposed ASTC. This GSA includes 38 zip codes and a population estimate of 127,153. There is one ASTC and two acute care hospitals in the GSA (see Table Six).

Unnecessary Duplication of Service

ASTCs

There is one ASTC within the defined service area. Gailey Eye Surgery Center is a limited-specialty ASTC, offering Ophthalmologic and laser eye surgery services. The facility is not at target occupancy. **Reviewer Note:** ASTCs would have to apply for a certificate of need to add the specialty proposed by this project.

Hospitals

There are two hospitals within the GSA, and neither is at the target occupancy of 1,500 hours per surgery/procedure room (see Table Six).

Maldistribution

According to the Applicants, the proposed ASTC's GSA has an estimated population of 127,153 inhabitants. The number of operating/procedure rooms in the GSA is 48. This equates to one operating room or procedure room for every 2,650 individuals. Illinois' estimated population is 12,549,689. The number of operating/procedure rooms in Illinois is 2,850 rooms. The ratio of population to operating/procedure rooms is 1:4,403 individuals. Based upon this analysis, it does not appear there is a surplus of operating/procedure rooms in the GSA.

Reviewer Note: A surplus is defined as the ratio of operating/procedure rooms to the population within the GSA, to the State of Illinois ratio, which is 1.5 times the GSA ratio.

Impact on Other Facilities

The applicants stated that no other provider within the GSA will be impacted because all the volumes identified in the physician referral letters were performed at an affiliated hospital.. However, the very nature of referring patients away from the two acute care hospitals suggests that the proposed project may harm area facilities, and a negative finding is likely to result.

G) Criterion 1110.235(c)(8) - Staffing

To demonstrate compliance with this criterion, the applicants must provide documentation that relevant clinical and professional staffing needs will be met and that a board-certified medical director will be selected.

The Applicants provided a curriculum vitae for Dr. Jacob D. Sams, M.D. (application, p. 78) to address this criterion. Dr. Sams will also serve as the ASTC's Medical Director. The Applicants anticipate the commencement of formal recruitment initiatives 90 days before project completion, and do not anticipate any hardships in recruiting skilled staff. Based upon the information provided in the permit application, it appears that the proposed ASTC will be adequately staffed.

H) Criterion 1110.235(c)(9)) - Charge Commitment

To document compliance with this criterion, the applicants must provide the following:

- 1) A statement of all charges, except for any professional fee (physician charge); and
- 2) A commitment that these charges will not be increased, at a minimum, for the first two years of operation unless a permit is first obtained under 77 Ill. Adm. Code 1130.310(a).

The applicants supplied a statement of charges (application, pgs 60-75), and the signature pages serve as a certified attestation that the identified charges will not increase for the first two years in operation.

I) Criterion 1110.235(c)(10) - Assurances

To demonstrate compliance with this criterion, applicants must attest that a peer review program will be implemented and that the proposed ASTC will achieve target occupancy two years after project completion. The applicants provided a certified attestation (application, p. 76) stating that the Mt. Zion Center for Surgery will continue to maintain quality patient care standards and meet or exceed the utilization standards specified in 77 Ill. Adm. Code, by the second year of operation.

X. FINANCIAL VIABILITY

A) **Criterion 1120.120 - Availability of Funds**

B) **Criterion 1120.130 - Financial Viability**

The applicants must provide evidence that sufficient resources are available to fund the project, demonstrating compliance with this criterion.

The Applicants are funding this project with a combination of cash/securities in the amount of \$1,023,657, mortgages totaling \$5,467,251, the fair market value of the lease totaling \$4,052,230, and a tenant improvement allowance amounting to \$798,850. To demonstrate financial viability, the applicants provided financial viability ratios (Table 7) and a pro forma balance sheet (see Table 8).

TABLE SEVEN Projected Financial Viability Ratios		
	State Standard	1 st Year
Current Ratio	1.5>	1
Net Margin Percentage	3.5>	39.34%
Long-Term Debt to Capitalization	<80%	0.8%
Projected Debt Service Coverage	>1.75	5.56%
Days Cash on Hand	>45 days	8.8
Cushion Ratio	>3	1

TABLE EIGHT Pro Forma Balance Sheet Mt. Zion Center for Surgery (after loan funding and purchase of equipment)	
	1 st Year
ASSETS	
Current Assets	
Bank Accounts	\$151,000
Total Current Assets	\$151,000
Fixed Assets	
Buildings	\$7,023,780
Furniture and Equipment	\$4,167,478
Total Fixed Assets	\$11,191,258
TOTAL ASSETS	\$11,342,258
LIABILITIES AND EQUITY	
Current Liabilities	
Current Loan Payable	\$149,818
Total Current Liabilities	\$149,919
Long Term Liabilities	

Loan Payable	\$8,923,988
Total Long-Term Liabilities	\$8,923,988
Total Liabilities	\$9,073,806
EQUITY	
Members Equity	\$2,268,452
Total Equity	\$2,268,452
Total Liabilities and Equity	\$11,342,258

XI. ECONOMIC FEASIBILITY

A) Criterion 1120.140(a) - Reasonableness of Financing Arrangements

B) Criterion 1120.140(b) - Terms of Debt Financing

The applicants are funding this project with cash/securities totaling \$1,023,657, mortgages amounting to \$5,467,521, the fair market value leases totaling \$4,052,230, and a tenant improvement allowance totaling \$798,850. The applicants provided financial viability ratios (See Table Seven), a proforma balance sheet (See Table Eight), and a letter of intent from Busey Bank, agreeing to finance the proposed project with funds not to exceed \$12,000,000, for a term of 5 years at the U.S. prime rate of 7.5% (See application file)

C) Criterion 1120.140(c) - Reasonableness of Project Costs

The State Board staff applied the reported clinical costs and clinical spatial allotment (12,189 GSF) against the applicable State Board standards.

Preplanning Costs – These costs amount to \$76,000, which comprises 1.5% of the modernization, contingencies, and equipment costs of \$4,956,544. This complies with the State standard of 1.8%.

New Construction Costs – These total \$4,506,544, or \$369.73 per GSF. ($\$4,506,544 / 12,189 \text{ GSF} = \369.73). This appears to be compliant compared to the State Board Standard of \$495.41/GSF (2026 midpoint of construction).

Contingency Costs - These costs total \$400,000, or 8.9% of new construction costs. This appears reasonable compared to the 10% State Board Standard.

Architectural and Engineering Fees – These costs total \$373,000, or 7.6% of new construction and contingency costs (\$4,906,544). These appear reasonable compared to the State Board Standard of 6.42% to 9.64%.

Moveable Equipment Not in Construction Contracts – These costs total \$50,000, or \$16,667 per room (3). This appears reasonable when compared to the State Board standard of \$602,324 per room (project mid-point: 2026).

The State Board does not have a standard for these costs:

Consulting and Other Fees	\$240,000
Net Interest Expense During Construction	\$114,760
Fair Market Value of Leased Space/Equipment	\$3,321,400

The Applicants appear to meet all applicable standards for this criterion, and a positive finding is made.

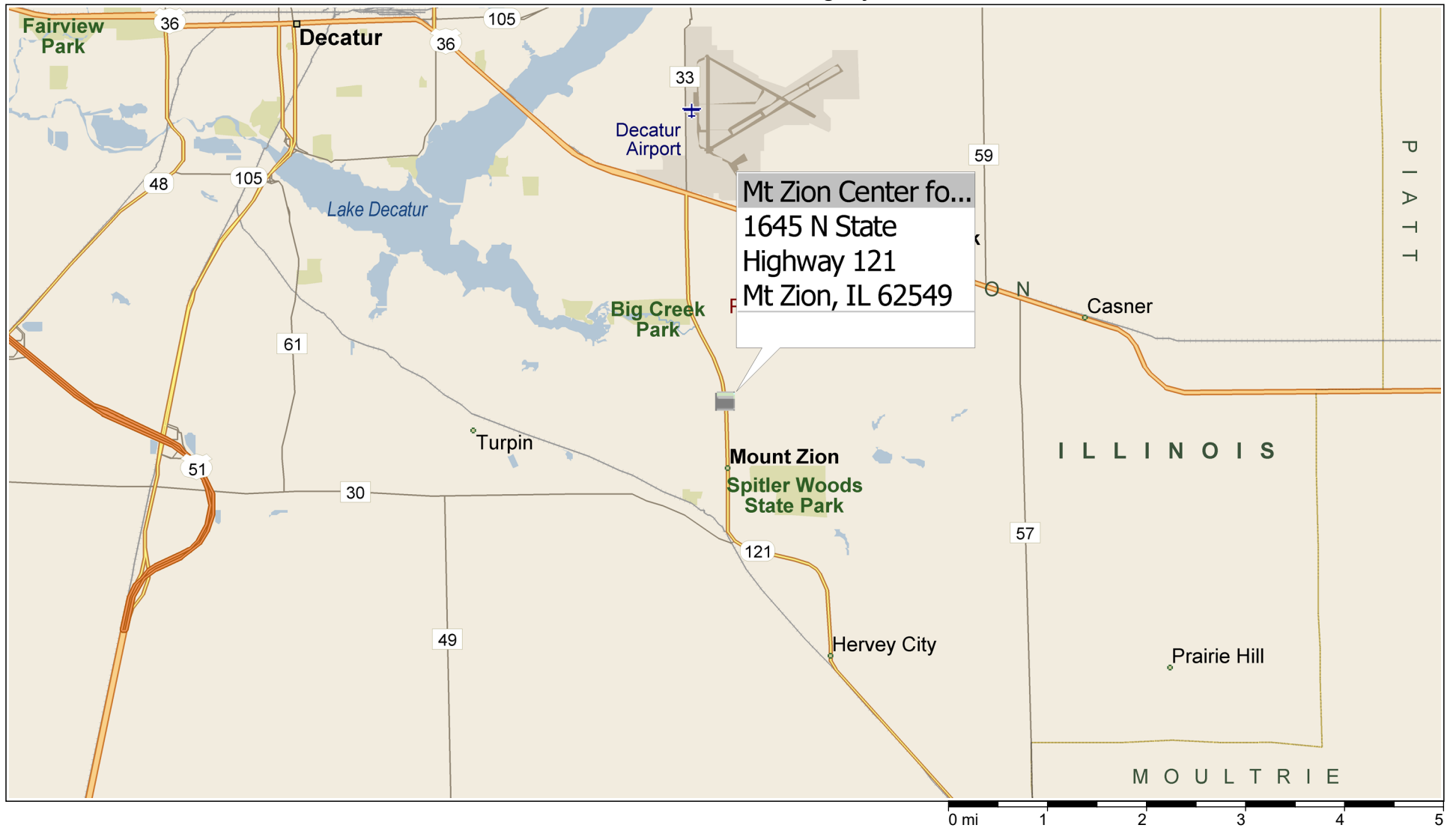
D) Criterion 1120.140(d) - Projected Operating Costs

The total direct operating cost per unit of service is \$1,865. The State Board does not have a Standard for these costs.

E) Criterion 1120.140(e) - Total Effect of the Project on Capital Costs

The total effect of the Project on Capital costs is \$342 per procedure. The State Board does not have a Standard for these costs.

25-012 Mt Zion Center for Surgery - Mt Zion



SAFETY NET STATEMENT

Due to the nature of the proposed project, that being the establishment of an ASTC, no impact to the safety net services provided in the area are anticipated; and the project will not impact the ability of any other provider to provide or cross-subsidize safety net services.

Based on the practices of the physicians anticipated to refer patients to the ASTC, it is anticipated that a limited amount of charity care will be provided at the ASTC, with decisions on the provision of charity care being made on a case-by-case basis, following a protocol to be developed prior to the ASTC's opening.

The ASTC will not discriminate in any fashion as to the patients that are treated in the facility.



Hospital Sisters
HEALTH SYSTEM

HSBS St. Joseph's Hospital
Breese, IL

HSBS St. Mary's Hospital
Decatur, IL

HSBS St. Anthony's Memorial
Hospital
Effingham, IL

HSBS Holy Family Hospital
Greenville, IL

HSBS St. Joseph's Hospital
Highland, IL

HSBS St. Francis Hospital
Litchfield, IL

HSBS St. Elizabeth's Hospital
O'Fallon, IL

HSBS Good Shepherd Hospital
Shelbyville, IL

HSBS St. John's Hospital
Springfield, IL

HSBS St. Mary's Hospital
Medical Center
HSBS St. Vincent Hospital
Green Bay, WI

HSBS St. Clare Memorial
Hospital
Oconto Falls, WI

HSBS St. Nicholas Hospital
Sheboygan, WI

HSBS Medical Group

Prairie Cardiovascular

July 21, 2025

Via Hand Delivery and Email

John Kniery, Administrator
Illinois Health Facilities and Services Review Board
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RECEIVED

JUL 21 2025

**HEALTH FACILITIES &
SERVICES REVIEW BOARD**

Re: Safety Net Impact Statement Response
Project #25-012 – Mt. Zion Center for Surgery

Dear Mr. Kniery:

On behalf of the Hospital Sisters Health System ("HSBS") and HSBS St. Mary's Hospital in Decatur ("SMD"), and in accordance with Section 5.4(f) of the Illinois Health Facilities Planning Act ("Planning Act," 20 ILCS 3960/5.4(f)), I respectfully submit this Response to the Safety Net Impact Statement of the Applicants for the Mt. Zion Center for Surgery, Project #25-012. In contrast to the woefully inadequate statement provided by the applicants, this Response provides information on the significant adverse impact that the proposed project would impose on area providers of safety net services – a critically important topic which the applicants entirely failed to address in their permit application.

**The Project's Diversion of Nearly 1,900 Orthopedic and Podiatric
Surgeries from Existing Safety Net Services Providers
Will Materially and Adversely Impact Safety Net Services**

Notwithstanding the notarized statement of the applicants that they intend to redirect 1,880 surgeries from two area Critical Access Hospitals and the two Decatur hospitals, they nonchalantly assert that the project "will not impact the ability of any other provider to provide or cross-subsidize safety net services." (Permit Application at 84). The applicants make this dismissive claim despite their certain knowledge that these to-be-diverted outpatient orthopedic and podiatric surgeries are high-margin procedures – positive revenue they intend to keep for themselves – which are critically needed to cross-subsidize the negative-margin safety net services provided by these four impacted hospitals. These safety net services include a high number of Medicaid patients served at each of the hospitals, as well as Emergency Department services.

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The four adversely impacted area hospitals serve well over 85,000 Medicaid patients combined:

Healthcare Facility	Total Medicaid Patients	% Medicaid Patients
HSHS St. Mary's Hospital	18,646	15.1%
Decatur Memorial Hospital	52,757	19.5%
Kirby Medical Center	8,114	15.6%
Pana Community Hospital	6,176	21.7%

Source: 2023 Hospital Profiles (includes Inpatients and Outpatients)

HSHS estimates that the loss of positive operating margin at SMD from the project's redirection of more than 520 orthopedic outpatient surgeries will exceed \$5 million annually. This will severely impair the ability of SMD to cross-subsidize and maintain its Medicaid, Emergency Department, and other safety net services. Likewise, the other three area hospitals will unavoidably incur significant impairment to their own operating margins based on the number of referrals the applicants plan to redirect from their facilities. The Illinois Critical Access Hospital Network ("ICAHN") has submitted a letter of concern given the current financial vulnerability of small and rural hospitals. The ICAHN letter notes that nearly 30% of the state's 80 rural hospitals are operating on negative or thin margins.

The Project's Diversion of Outpatient Surgeries will Further Reduce Utilization of All Area Safety Net Services Providers, Resulting in Reduced Cost-Efficiencies

All of the four area hospitals are operating significantly below the State's utilization target of 80% for operating rooms:

All Four Area Hospitals are Currently Underutilized

Healthcare Facility	City	Operating Rooms	2022 Hours	2023 Hours	Average Hours	Utilization
HSHS St. Mary's Hospital	Decatur	8	5,749	4,737	5,243	35%
Decatur Memorial Hospital	Decatur	18	19,506	18,849	19,178	57%
Kirby Medical Center	Monticello	2	924	1,046	985	26%
Pana Community Hospital	Pana	2	616	758	687	18%

The physician referral letters in the application show that the project's volume will take over 1800 cases from these four hospitals combined. Based on the applicants' own estimate of surgical times and stated referrals, the project will further reduce utilization of these already-underutilized hospitals:

The Project Further Reduces Utilization at All Four Area Hospitals

Healthcare Facility	Average Hours	Hours Redirected to ASTC	Remaining Hours at Hospital	Resulting Utilization
HSHS St. Mary's Hospital	5,243	995	4,248	28%
Decatur Memorial Hospital	19,178	2,170	17,008	50%
Kirby Medical Center	985	315	670	18%
Pana Community Hospital	687	42	645	17%

The targeted 80% utilization standard reflects an official state determination of the patient volume required for efficient operation of the designated service. It is the Review Board's stated policy that

"facilities and services should operate at or above the prescribed utilization targets." (77 Ill. Adm. Code 1100.370). By driving utilization at these four hospitals even further below the targeted 80% utilization level, this project will create greater operating inefficiencies at the existing facilities it adversely impacts. This will impair the ability of these hospitals to cross-subsidize safety net services as the further reduction in utilization will adversely impact fixed costs per procedure.

Significantly, the Review Board's criteria require an applicant for an ASTC to document that its project will not lower, to a further extent, the utilization of other facilities in the service area that are currently operating below the utilization standard. (77 Ill. Adm. Code 1110.235(C)(ii)). Here, the applicants have documented the opposite: they affirmatively document that the proposed project will lower to a further extent, the utilization of all four area hospitals.

Conclusion

The applicant's own documentation establishes that the proposed project will have a material adverse impact on four area safety net services providers and their ability to cross-subsidize safety net services. While the applicants' Safety Net Services Impact Statement makes the bald assertion that there will be no impact on safety net services, the notarized physician referral letters in the application demonstrate the opposite.

We respectfully request the Review Board to take into consideration the project's undisputed adverse impact on the four area hospitals providing safety net services.

Respectfully,



Brian A. Brennan
Market President and CEO
HSHS St. Johns Hospital

cc: Mike Constantino, Lead Project Reviewer, HFSRB, mike.constantino@illinois.gov
Dan Lawler, Lawler Law Office, dan@lawler.law